

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201447045**  
Release Date: 11/21/2014  
Date: August 27, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

Date:

**LEGEND**

UIL: 4945.04-04

C= Vendor  
D= County

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request:**

You were recognized as exempt from Federal income tax under section 501 (c)(3) of the Code and are classified as a private foundation as defined in section 509(a).

You will operate a grant making program to award scholarships to eligible students in residents of D county. Preference will be given to those of high school, college and/or professional school age.

The number and amount of scholarships you award each year will vary depending on the amount of funds you have available and will be distributed based on the financial need of the applicants.

C will manage the selection of recipients and distribution of funds. C has staff employees who visit all of the high schools and youth-serving nonprofit agencies in D County. They conduct presentations on financial aid and scholarships. They also distribute fliers to the schools.

C will maintain records of the award recipients on your behalf.

Eligibility for your scholarships are limited to young men and women who reside in D County who wish to obtain an education for which they have insufficient funds. An applicant must:

1. Be a U.S. citizen or permanent U.S. resident (green card),
2. Have attended at least four of the six secondary grade years at a D County school and graduate or receive a GED from the high school, and
3. Be planning to attend full-time at a Title IV approved college or vocational school.

In addition:

- Students who attends private boarding schools in D must show proof that the family's permanent address is located within D County.
- Homeschooled students must have an affidavit of approval on file with the D County Office of Education and have continually resided in D County during the eligibility period. And,
- Students who have been a ward of D County Court (youth in foster care after the age of 13), can contact C to check their eligibility status.

All applicants must be planning to attend full-time at a Title IV approved college, university, vocational school, graduate school, or medical, remain in good academic standing and be making timely progress towards a degree or vocational certificate.

The criteria for scholarship selection are financial need, motivation, and potential. Financial need is verified by providing a copy of the Free Application for Federal Student Aid (FAFSA) Student Aid Report (FAFSA - SAR). C assists students studying in standard academic programs on a traditional academic calendar. Student aid is not offered summer sessions, research, special projects, part-time studies, distance learning or executive MBA-type programs (please note, online courses will be accepted as long as they are taken from the same approved institution and do not exceed more than half of the required minimum full-time units).

C solicits, reviews, and evaluates the academic achievement and financial need of graduating seniors and makes recommendations to you. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code Section 4946.

Students may re-apply for a new scholarship but must submit the unofficial transcript or grade report showing units and cumulative GPA and a copy of free application for federal student aid report.

You pay the scholarship funds directly to the C, who will pay the university/college the recipient attends for the benefit of the recipient. C provides a letter to each university/college specifying that the university/college's acceptance of the funds constitutes the university/college's agreement to

- (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and
- (ii) notify the trustee if the scholarship recipient fails to meet any term or condition of the scholarship.

If the university/school will not agree to such terms, the C will obtain the needed reports and grade transcripts from the scholarship recipient.

You will investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations

P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations